

Message Text

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INFO OCT-01 ISO-00 /001 R

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FM SECSTATE WASHDC

TO USDEL SECRETARY IMMEDIATE

S E C R E T STATE 156506 TOSEC 050098

NODIS

E.O. 11652: GDS

TAGS: ENRG, IR

SUBJECT: MEETING WITH SHAH - TEHRAN (JUNE 30, 1975)

1. ON JUNE 30, I HAD A FRIENDLY AND CONSTRUCTIVE MEETING OF ALMOST AN HOUR WITH THE SHAH IN TEHRAN. IT ALSO WAS ATTENDED BY MINISTER OF ECONOMY AND FINANCE ANSARY AND AMBASSDOR HELMS. A SUMMARY OF OUR CONVERSATION FOLLOWS:

2. PRODUCER/CONSUMER DIALOGUE: THE SHAH REPORTED THAT HE HAD HAD A FULL REPORT OF MY DISCUSSIONS WITH CENTRAL BANK GOVERNOR YEGANEH AND WITH ANSARY REGARDING US VIEWS ON THE ORGANIZATION OF THE PRODUCER-CONSUMER DIALOGUE. HE WAS IN GENERAL AGREEMENT WITH OUR PROPOSAL FOR A MEETING OF THE GROUP OF 10 (ORIGINAL PREPCON) TO BE FOLLOWED BY A MEETING OF 27 AT MINISTERIAL LEVEL FOR LAUNCHING OF THE THREE COMMISSIONS. HE CONFIRMED SPECIFICALLY HIS AGREEMENT THAT WE SHOULD PROCEED CAREFULLY, ASSURING A MUTUAL UNDERSTANDING ON ALL BASIC ISSUES IN ADVANCE OF THE INITIAL GROUP OF 10 MEETING. HE ALSO AGREED WITH OUR POSITION (VERSUS THE YAMANI VIEW) REGARDING THE DESIRABILITY OF

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DEFERRING THE GROUP OF 10 MEETING UNTIL LATE SEPTEMBER OR

EARLY OCTOBER AND IN OPPOSING THE LAUNCHING OF A FOURTH FULL-FLEDGED COMMISSION DEALING WITH FINANCIAL AND MONETARY MATTERS. HE FELT THAT YAMANI SHOULD BE SATISFIED WITH A SUB-COMMITTEE UNDER THE COMMISSION ON ENERGY.

3. AID TO EGYPT: I EXPRESSED APPRECIATION FOR IRAN'S WILLINGNESS TO PARTICIPATE IN THIS \$1 BILLION EMERGENCY AID PACKAGE FOR EGYPT. THE SHAH STATED THAT THE US DESERVED CREDIT FOR INITIATING THIS EFFORT AND INDICATED THAT HE SHARED OUR CONCERN FOR THE ECONOMIC AND POLITICAL STABILITY OF EGYPT AT THIS CRITICAL MOMENT WHEN ANOTHER STEP TOWARD PEACE WAS SO IMPORTANT. HE ALSO RECOGNIZED THAT THIS SPECIAL FINANCIAL ASSISTANCE COULD BE IMPORTANT IN THAT CONNECTION.

4. MILITARY EQUIPMENT PURCHASES: THE SHAH EXPRESSED CONCERN OVER THE THREAT OF US LEGISLATION RESTRICTING IRAN'S ARMS PURCHASES IN THE US AND POINTED OUT THE EXTENT TO WHICH THE US COULD BENEFIT FROM IRAN'S INCREASED MILITARY STRENGTH AND CAPACITY TO MAINTAIN STABILITY NOT ONLY IN THE GULF BUT THROUGHOUT THE ENTIRE INDIAN OCEAN. (THERE WAS AN IMPLICATION OF INCREASING INTEREST IN NAVAL EXPANSION ALTHOUGH THIS WAS NOT MENTIONED DIRECTLY.) THE SHAH SAID THAT HE HAD GOOD RELATIONS WITH SAUDI ARABIA

AND CERTAINLY NEITHER HE NOR THE SAUDIS HARBORED ANY MILITARY AMBITION IN THE AREA. HE WAS LESS POSITIVE ABOUT IRAQ, MENTIONING THAT HE WAS ONLY 60 PERCENT (UNDERLINED) CERTAIN OF HIS RELATIONS WITH THAT COUNTRY.

5. BILATERAL OIL NEGOTIATIONS: WE DISCUSSED IN SOME DETAIL THE POSSIBLE OIL ARRANGEMENT WHICH I HAD BEEN NEGOTIATING WITH ANSARY EARLIER IN THE DAY. HIS ATTITUDE IS STILL POSITIVE BUT WITH SOME QUESTIONS STILL TO BE RESOLVED AS REPORTED BY SEPARATE MEMORANDUM.

6. OIL PRICE INCREASE: THE SHAH RESTATED HIS CONVICTION THAT THE OPEC OIL PRICE SHOULD BE INCREASED ON OCTOBER 1, AND EXPLAINED THE LONG-TERM BENEFITS OF THIS MOVE FOR BOTH
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PRODUCERS AND CONSUMERS. HE ARGUED THAT PETROLEUM WAS A UNIQUE IRREPLACEABLE RESOURCE WHICH WOULD LAST FOR ONLY ABOUT 30 YEARS AND WE CANNOT DELAY IN DEVELOPMENT OF ALTERNATIVE SOURCES. HE STRESSED THE IMPORTANCE OF ENCOURAGING OIL CONSERVATION AND ALTERNATIVE ENERGY DEVELOPMENT WHICH FORCED RECOGNITION OF THE HIGHER VALUE OF CURRENT OIL EXPORTS. HE DID ACKNOWLEDGE THE SHARED INTEREST IN AVOIDING ANY DISRUPTION THAT THE SHAH WAS

FROM WHICH I GAINED THE IMPRESSION THAT THE SHAH WAS
THINKING IN TERMS OF AN OIL PRICE INCREASE WELL BELOW
THE 35 PERCENT WHICH HE HAS REFERRED TO IN RECENT PUBLIC
STATEMENTS.

7. IN SUMMARY, OUR DISCUSSION WAS FRIENDLY AND GENERALLY
POSITIVE IN TERMS OF CURRENT AND FUTURE US-IRAN RELATIONS.
ALTHOUGH THE SHAH MAY HAVE BEEN ENCOURAGED TO BACK AWAY
FROM HIS ORIGINAL OIL PRICE AMBITIONS AS A RESULT OF OUR
LECTURES ON THE LACK OF ECONOMIC JUSTIFICATION, IT APPEARS
LIKELY THAT HE WILL CONTINUE TO PRESS FOR SOME INCREASE
ON OCTOBER 1. INGERSOLL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, MEETING AGENDA, ECONOMIC ASSISTANCE, TOSEC, EXPORTERS, PRICES, MILITARY SALES, TRADE AGREEMENTS, CAT-C
Control Number: n/a
Copy: SINGLE
Draft Date: 02 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: johnsorg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE156506
Document Source: CORE
Document Unique ID: 00
Drafter: CWROBINSON
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: P850036-2537
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750790/aaaadcvb.tel
Line Count: 127
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN NODS
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: NODIS
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: NODIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: johnsorg
Review Comment: n/a
Review Content Flags:
Review Date: 08 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 AUG 2003 by CunninFX>; APPROVED <25 NOV 2003 by johnsorg>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MEETING WITH SHAH - TEHRAN *JUNE 30, 1975)
TAGS: ENRG, IR, (PAHLAVI, MOHAMMAD REZA), (ANSARY, HUSHANG), (ROBINSON, CHARLES W)
To: SECRETARY
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006